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The Promotion of Thrift in America

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SO long as we live under an economic system in which income is distributed on another basis than that of need, savings from private income or "thrift" will remain the most natural source of new capital for investment, the source involving the least hardship to individuals. So long as there are adverse chances of life against which adequate provision cannot be made through the insurance principle, every man who hopes to live in reasonable security will strive to build up reserves of purchasing power. As our economic life is now organized, and is likely to remain organized to a point in the future beyond the reach of reasonable calculations, the exercise of thrift is a public service and a private virtue. This has always been sufficiently clear to the few who have had the opportunity and taste to trace the operation of economic forces to their remote ramifications. The problem is: How to make the claims of thrift cogent to those who are not in the habit of abstract economic analysis, how to induce the maximum number not only to recognize these claims but to act upon them, against the solicitations of present indulgence and against the organized forces that through argument or suggestion support the counterclaims of the principle of free spending.

EDUCATION FOR THRIFT

Something may, I believe, be accomplished in this direction through education. The fallacy of the argument that spending stimulates trade

while saving kills it does not present logical difficulties beyond the control of the average child in the last years of the public school. If we could introduce the school savings bank generally and build up in connection with its administration a set of lessons explaining the use to which the savings are put, the source of their earnings, the possibilities of compound interest, we should no doubt in time add considerably to the number of habitual savers. There are also many directions in which the educational method might be applied to adults. It should not be impossible, for example, to interest labor organizations in the question whether the condition of the reserves of the individual members is not a mighty factor in determining the outcome of labor disputes. There is much evidence that could be assembled on this point. It would work toward establishing the rule of conduct: "Every union man should keep several months' reserves ahead."

SOCIAL POLICIES FOR STIMULATING THRIFT

Additional possibilities of bringing educational methods to bear upon the problem of extending the practice of thrift will readily occur to everyone. I do not linger over them because I believe that the habits of saving or spending, like most other personal habits, are rather refractory to logical demonstration and reasoned precept. Most men who have learned to practise thrift have been little influenced by theory and exhortation. They have

been much influenced by enviring conditions that make saving and investment as easy and natural as spending. The farmer who is yearning for a tractor is not in a state of mind essentially different from that of the suburbanite who is yearning for a touring car. Each cuts down expenses where he can to realize his desire. Each saves, for a while. But when they have realized their desires, the farmer has an instrument of production which, barring miscalculations, will add to his income by an amount equivalent to interest on the money he paid for it, together with a fair sum to offset wear and tear. The suburbanite has an instrument that adds no doubt to his happiness but rather helps him to spend his remaining income than to increase it. I hasten to disavow any intention of suggesting that the one application of purchasing power is more rational than the other. All I mean to imply is that differences in external conditions may have more to do with the practical exercise of thrift than inherent differences in temperament or differences in training, and that a social policy of stimulating thrift ought to look closely to these conditions. It should not expect the same measures to work with the factory hand or department store employe as may be expected to work with the farm laborer or share tenant. As in most other matters of social policy, we ought to attend first of all to classification.

Thrift in Agricultural Population

Let me offer, by way of suggestion only—for any one by taking thought can improve upon it—a rough classification of the American groups in which it would be desirable to stimulate thrift, with some opinions, also tentative, as to how thrift might ac-

tually be encouraged in each class. I shall begin with the agricultural population. Here we have (1) the independent farmer, with unencumbered holding; (2) the farmer owning subject to mortgage; (3) the tenant, ranging in status from (a) the more or less prosperous cash or share tenant of the North to (b) the Negro tenant, grading all the way down to peonage in the South; (4) the farm laborer.

As to the independent farmer, it may be thought that he is already sufficiently thrifty; nothing needs to be done to encourage him to save. That may in most instances be a sound view of the farmer's condition; but have you ever observed what happens in a typical farming community where mortgages are well cleared off and money begins to back up in the local banks? That is a fertile field for the promoter of speculative enterprises—oil, copper, or gold, Canadian wheat lands or orchard lands in Florida or California. And the fruit of most of this speculative activity is disillusionment and lessened incentive to save in future. What such a community could profitably absorb is safe and sound paper in local businesses—banks, elevators, mills—for a good yield, or the bonds of the federal, state and local governments, or of solid private corporations, for ready convertibility in case the usual sources of annual income fell away too seriously. The prosperous farmer won't have such investments; he wants sudden wealth through lucky speculation? Try him. Present to him the true merits of sound investments as seductively as the false merits of the unsound. That has never been done, so far as I know. Here is an opportunity for the educational method.

The farmer owning subject to mortgage usually has all his thrift instincts

harnessed to one purpose, paying off the mortgage. You would say that of course such a farmer would save all he could; his mortgage usually falls due within a very brief period—seldom more than five years—when he stands a chance of losing his equity unless he pays in full. But there is such a thing as putting so heavy a load behind an instinct that it balks altogether. It is astonishing how often the mortgagor comes up at the end of the period with a request for renewal of the whole loan. I have an impression, vague for want of any statistics for America that are to the point, that more net progress in payment is made in countries where such loans run from twenty to fifty years, with small compulsory instalments and no limit upon repayment at the option of the debtor. Practical men in America have a theory that the short term loan with drastic renewal possibilities makes for desperate struggles to save. That is a theory that wants fortification with facts, before it can override the reasonable psychological assumption that thrift grows best not under desperation but under reasonable ease and security.

We are experimenting, under the Federal Farm Loan act, with what I conceive to be the sounder principle; we need to push it much more energetically, and especially to use every effort to place farm loan bonds with the farmers themselves, so that as nearly automatically as possible the man who has extinguished his own debt may proceed by way of becoming an investor in loans to other farmers. That is a way of opening this field to non-speculative securities. It would have another effect of direct bearing upon the prospects of our next class, the tenants.

The Tenant Farmer. No democratic

American contemplates with satisfaction the idea of a permanent agricultural tenantry. As we would have it, the status of tenant ought to be a passing phase in the individual progress from farm hand to unencumbered owner. But at present there are two serious barriers to this progress, the one, the limited opportunity to secure long term purchase loans, the other, selling prices of land in excess of investment values. Much of our land is held at such a price that the interest a buyer would have to pay would greatly exceed the rent a tenant would pay. That is a heavy penalty upon the enterprise of establishing ownership. Its existence is usually explained by reference to the fact—which is not a fact—that land is sure to go up. A truer explanation, though a negative one, is that owing to our failure to develop among the agricultural population the habit of investing in sound securities, the very conception of investment values is wanting. A prosperous farmer with money to invest looks about for land to buy, as something certainly safe, not recognizing that there are security investments equally safe and much more convenient and productive. And so he contributes his share to hoisting the price of land above the reach of the man who must pay for it with what he can earn on it. The consequence is an inevitable discouragement to the tenant which makes for thriftlessness. The influence does not end with the tenant class, but sinks through it to the agricultural laborer, whose case, in the northern agricultural sections, is the case of the tenant, merely somewhat exaggerated. Sound education, not directly in thrift, but in investments and investment values, would appear to be the most promising

method of attaining the desired end.

The Negro share tenants in the South stand on a different footing. Ownership of land is for many of them a goal well beyond the horizon. Their immediate goal is the ownership of a working capital sufficient to deliver them from the crop lien and their consequent absolute dependence upon the local trader, often the landlord in another capacity. A condition more inimical to thrift could hardly be conceived. Apparently the first stage toward preparing the ground for thrift must be the creation of personal credit associations to break the tenants' dependence upon the local merchants; and consumers' coöperation to curb the merchants' prices. I am aware of the difficulties that such an enterprise would entail; of the resistance that would be offered by established interests that profit, apparently, from the dependence and degradation of the Negro tenantry. But the record of what intelligent racial leadership was able to accomplish in this direction in Poland and the Baltic Provinces, under conditions even less promising, makes the undertaking seem far from hopeless. It is sufficiently recognized in the South that a hopeless, thriftless, shiftless Negro tenantry is a wretched foundation for permanent prosperity, so that a serious attempt at a substantial improvement would command support even among the classes that gain immediate profit from the existing system.

Thrift Among Wage Earners

The Immigrant. In the case of the urban laborer there is as great need for classification as in the case of the farming classes. The same methods will not work with the salaried classes as will work with the wage earning classes.

The methods of thrift stimulation that might be effective with the American born laborer, usually occupying the better paid position, could not be expected to be so effective with the recent immigrant, uncertain in his strange surroundings and suspicious of all efforts that may be made to set him on the road to prosperity. The immigrant, as he lands, is not as a rule wanting in disposition toward thrift. He means to save all he can, as often as not with the intention—quite natural and legitimate—of carrying it away with him. He fears, and not without good reason, that somebody will try to euchre him out of any savings he may accumulate. What he asks of us is a place to store his savings in absolute security. We do offer him the services of our savings banks, in the greater part of the country as nearly absolutely secure as any rational and well informed person would desire. But the immigrant is not well informed, and suspects. He would trust the government, and the government meets his desires half way by providing postal savings banks. Only half way, however, for the government, out of a gentlemanly desire not to compete with any private enterprise, pays a rate so low that the immigrant feels robbed. European governments in their poverty pay better rates. Why could not America? America could and should pay as high a rate as the yield of government bonds, less the cost of administering the system. It could and should exert itself to place the government bond itself in the hands of the postal saver who has accumulated a sum sufficient to pay for it. Even a partial payment plan, in time of peace as in time of war, would be worth trying. A United States government bond in the hands of a recent immi-

grant would be a good start in Americanism and a conservation of thrift that is likely to profit us in the end, for most immigrants, whatever their original intention, stay with us.

The American Born Laborer. In dealing with the American born workman something other than facilities for saving is required. He knows sufficiently well of the existence of facilities that would suit him if he wanted to save. But he is suspicious too; suspicious of everything savoring of an attempt on the part of outsiders to improve and perhaps control him. A good rule would be to consult him first. It is impossible to consult him in his collectivity, but he has an abundance of shrewd leaders who know pretty exactly how he feels.

One thing that the American workingman will want to know before he will take the least interest in any movement designed to stimulate thrift is that it is not in intent or in tendency a scheme to make him more safe and sane, more content with his present lot, less disposed to organize and strike. There has been a vast amount of advice to labor from adherents of the orthodox economic school, to work and to save, and to endeavor to raise himself out of his class on the wings of his savings. All that has to be counteracted before any thrift movement will look to him like anything but insidious hostile propaganda. Then, as a practical fact, in every struggle over wages, in order to win popular support labor must win credit for the assertion that wages are insufficient for decent living and capital must demonstrate that wages are quite adequate. What would have been the effect upon public opinion in the recent coal dispute if the operators could have published the headline "Aggregate

bank deposits of 'exploited' miners \$40,000,000." That would be an average of \$100 apiece. Of course they ought to have an average of much more than that; any single miner with only so much faces a disquieting future, having one month's provisions ahead and three months' shut downs as common as the changes of the seasons. If they had an average of \$1,000 ahead it would be meagre enough as reasonable security. But how would \$400,000,000 or even \$40,000,000 look to you and me, members of a general public more prone to gasp at big aggregates than to reduce them to their true meaning? The coal miners can't afford to save—openly—so long as their wages need readjustment and so long as we of the general public do not see that the power to accumulate a reasonable reserve against the contingencies that beset every man's life is as natural a right as the right to bread and butter.

And then there is the history of attempts on the part of employers to fix the loyalty of their men through the investment of a few dollars in the business, forfeitable in case of strike or departure without cause; of attempts to plant employes in partial payment houses, not in practice salable in the event of retirement from the enterprise and from the neighborhood that lives by the enterprise. Not to pursue the inquiry farther, there is a great tangle of unhappy experience to be unravelled before you can say "thrift" to a trade-conscious American workman and not elicit a cold grin.

Yet, as I have pointed out before, there are cogent facts on the side of thrift. In a strike still pending, when funds ran low the strikers succeeded in tiding themselves over by hypothecating the Liberty bonds held by the collective membership. The differ-

ence between having bonds or not may prove to be the difference between victory and defeat. The general public may curse them for capitalists, if they win, but it would not bless them for anything if they lose. Now, I am not urging that a thrift campaign be inaugurated among trade union men to enable them to win any strikes they may undertake. I am urging that it is possible, through the men themselves, to work out a scheme by which the creation of individual reserves would appear clearly to be at least as much an element of strength as of weakness in industrial conflicts, and an element of strength alone in all the non-contentious mischances of life.

I have already exceeded the space allotted to me, and therefore I cannot trace out the altogether different case of the salaried employe of private enterprise or of government service, with present security and highly developed concern over the latter end of life, with which the average wage earner troubles himself little. His case suggests the

endowment principle as the worker's case suggested saving for a reserve and the farmer's case the accumulation of a permanent capital. But I have ranged widely enough for my purpose, anyway. That purpose was to suggest that thrift, as a national force, worthy of the most serious attention on the part of political science and statecraft, is not something simple, to be promoted by large simplicities of method, but something extremely complex to be handled successfully only after due consideration of the varying conditions under which men live and by methods judiciously adapted to those conditions. One thing all lives have in common: uncertainty; one maxim all men may take to heart: be prepared; and for the vast majority of us, thrift is essential to being prepared. So much may be inculcated in all the schools. But that is only elementary. We shall make real progress when we give due recognition to the necessity of applying the weft of diverse circumstance to the warp of common principle.